

MEMORANDUM

To Board of Regents
From: Board Office
Subject: Regent Legislative Program
Date: November 3, 2003

Recommended Action:

In addition to the Board approved appropriations requests for FY 2005 operations, incremental salaries, tuition replacement and capitals, consider authorizing the Board Office and legislative liaisons to:

1. Actively pursue regulatory relief of burdensome, costly, and/or obsolete statutory requirements.
 2. Explore opportunities for alternative financing methods and additional funding through other legislative means and other state agencies.
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Executive Summary:

Legislative Session The 2004 Session of the General Assembly is scheduled to convene on Monday, January 12, 2004.

The Board Office plans to proactively increase the interactions among Board of Regent members, institution heads, friends, advocates, and elected leaders prior to and during this legislative session.

Regent Appropriations Requests Obtaining appropriate levels of state funding are an essential component of the Regent legislative program. The Regent institutions have suffered from significant reductions and underfunding of \$230.6 million in state support over the last five years.

In September, the Board approved the FY 2005 state appropriations requests. The operating appropriations requests for FY 2005 include continuation of base operating appropriations at the original FY 2004 funding levels.

- Full funding of incremental salaries from state appropriations continues to be the highest priority request of the Board and its institutions.
- The incremental FY 2005 request for operating appropriations strategic initiatives is \$12.0 million, exclusive of salary funding, to restore faculty positions.
- Total requested operating appropriations for FY 2005 would total \$618.7 million.
- In addition to the formal appropriations requests, the Board took action to forward the balance of the recommended appropriations request, \$26 million separately, as a guide to additional funding needs should the state have additional available resources.

- FY 2005 tuition replacement appropriations request is \$23.8 million with the understanding that debt service needs will be reassessed.
- The FY 2005 capital improvement appropriations requests total \$67.5 million. If funded, these projects would be matched by \$17.3 million in private giving.

FY 2004
Appropriation
Reductions

Because of lower than projected state revenues, the Governor implemented a 2.5% across-the-board reduction in FY 2004 state appropriations. This reduction for the Board of Regents and its institutions totals \$15.5 million. (See G.D. 3 - FY 2004 Budget Reductions for more details.)

Legislative Program

In addition to the seeking state funding, the Regents and institutions must also focus on specific areas for legislative action. These other areas are presented to the Board for inclusion in its formal legislative program. Monthly updates are provided to the Board during the legislative session.

Fiscal Stewardship

In an environment of significantly reduced state funding for the Regent institutions, the Board of Regents and its institutions have a responsibility to be as efficient and productive as possible with taxpayers' and students' dollars. It is imperative that the Regents and its institutions continue efforts of restructuring and streamlining internal processes to protect the quality of education, research, and outreach while maintaining sufficient accountability.

The Board has been diligent in conducting its strategic planning to establish focus, direction, and continuity; provide strategic direction; and help to ensure public accountability by the Regent institutions.

Regulatory Relief

In the process of restructuring, inefficiencies created by burdensome, costly, and obsolete statutory requirements should be identified.

The Regents and the institutions could seek relief from those identified statutory requirements to implement efficiencies, cut costs, and eliminate unnecessary duplication.

The Board Office and institutions should be encouraged to actively pursue changes to statutory provisions that will provide the greatest tangible benefit to the Regents, the state of Iowa, and its citizens.

Alternative Funding

Severe economic constraints on state resources have led to significant budget reductions for the Regent institutions.

It is recommended that the institutions, in consultation with the Board President and the Executive Directive of the Board of Regents, be authorized to seek funds for special programs through other sources, including state agencies.

Background and Analysis:

- Legislative Outreach
- To promote a comprehensive legislative plan, the Board Office proposes that considerable efforts be taken to positively influence the decisions during the legislative process.
- Schedule numerous discussions between members of the Board of Regents and legislative leaders of both houses, as well as visits with the executive branch.
 - Hold gatherings on the university campuses and other Board meeting locations to familiarize legislators with the Regent enterprise as well as the unique missions of the various institutions.
 - Communicate regularly throughout the legislative session with members of the Board of Regents, alumni, and legislators.

REGENT APPROPRIATIONS REQUESTS

Operating Appropriations Request

The FY 2005 operating appropriations requests, totaling \$618.7 million, would reinforce the Board's expectation for state support of higher education so that future increases in tuition costs to the students and their families can be moderated, without compromising the quality of education further.

Full Funding of Incremental FY 2005 Salary Funding from state appropriations continues to be the highest priority of the Board and its institutions. An amount has not yet been determined.

Strategic Investments - In recognition of the limited revenues projected for the state, the Board limited the incremental FY 2005 appropriations requests for the educational/programmatic initiatives to \$12.0 million, far short of actual needs.

The requested funding, while a notable amount, would still be \$8.4 million below the funding levels the Board received for the Regent institutions for FY 1998.

Capital and Tuition Replacement Appropriations Requests

Reduction of fire and environmental safety deficiencies and deferred maintenance has been a high priority of the Board of Regents for a number of years. At its September meeting, the Board identified the fire and environmental safety component of the requests as its top capital priority.

The Board approved FY 2005 capital appropriations requests of \$55.5 million for five separate capital projects and \$11.4 million for the correction of fire and environmental safety deficiencies and deferred maintenance. Over \$20 million of fire safety and deferred maintenance deficiencies will be corrected with the completion of these five building/renovations projects.

Tuition replacement appropriations represent an ongoing commitment of the state to meet the debt service cost of Academic Building Revenue Bonds. The FY 2005 tuition replacement appropriations request is \$23.8 million.

REGENT NON-APPROPRIATIONS LEGISLATIVE PROGRAM

Statutory Changes Each legislative session statutory language may be added mandating specific regulations that may be appropriate for the times. Certain language often requires the Regent institutions to conduct studies, prepare reports, or some other actions that utilize institutional resources. Rarely, if ever, does the state provide additional funding for these new requirements.

Since the language becomes law, there are currently numerous statutory provisions that utilize resources. The Regent institutions are required to comply with these statutes until the language is eliminated.

As stewards of public resources, the Board of Regents has a responsibility to be as efficient and productive as possible with taxpayers' and students' dollars. Burdensome utilization of ever shrinking Regent resources reduces the educational opportunities for lowans.

For example, the Regent universities are required, by three different statutory sections, to report on economic development activities.

- Two of the reporting requirements are somewhat similar and very detailed, but one is required on a calendar year basis and one on a fiscal year basis.
- The third report is not specifically defined.
- In addition, the timing of the report required on the calendar year basis is impracticable. It is due to the legislature on January 15.
- These reports are all directly related to Regent economic development appropriations that have sustained substantial cuts (more than 60%). The funding has not been restored.

The state has imposed greater economic development responsibilities on the Regent universities while reducing funding for these specific activities. The state is sending mixed messages to the Regents.

**Consultant
Conclusions**

As presented to the Board in October 2002, the Board's organizational consultants (MGT of America) concluded that a more comprehensive regulatory relief strategy was needed to address the multiple missions of the Regent institutions and declines in state funding over the years which would allow the institutions to better leverage resources.

Similar to business enterprises, the institutions must compete to generate large amounts of revenues, must manage costs, and must be highly flexible to respond quickly to market forces.

State statute mandates that some services, such as primary telecommunications and internet providers, be provided to by other units of state government at a potentially greater cost rather than allowing the institutions to purchase these services in a competitive market.

Other Statutory
Issues

The statutory timing of tuition rate increases will be included in the study on tuition and student financial aid policies scheduled for presentation at a future meeting.

Any recommendations for statutory language changes for timing of tuition rate increases will be highlighted in the Legislative Program docket memorandum for February.

Obsolete Language

The State Auditor had identified three obsolete statutory provisions in its FY 2001 annual audit of Iowa State University; two were repealed by the 2003 General Assembly. An additional obsolete statutory provision was identified in the FY 2002 state audit of ISU. The two Iowa Code sections that need to be deleted are listed below:

- Livestock Producers Assistance Program – Iowa Code 266.39D identifies a livestock producers assistance program to provide on-site assistance to persons involved in livestock production. The program no longer exists.
- Meat Export Research Center – Iowa Code 266.31 established a Meat Export Research Center to expand and support meat product exports from Iowa. The Center no longer exists.

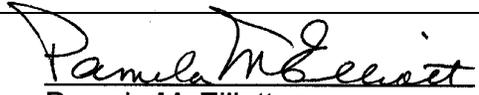
The Board Office staff and the institutions will work together to identify other areas of obsolete code language, such as state funding mechanisms of Regent laboratory schools, and correct the Iowa Code.

Special Funding
Requests

In recognition of the significant budget reductions to the Regent institutions, it is recommended that the institutions, in consultation with the Board President and the Executive Directive of the Board of Regents, be authorized to seek funds for special programs through other sources, including state agencies.

For example, the University of Northern Iowa has routinely been specifically authorized by the Board to seek special funds for select programs. UNI requests Board approval of the following special purpose FY 2005 appropriations.

	<u>FY 2005 Request</u>
Ag-Based Industrial Lubricants (ABIL) Program	\$225,000
Iowa Waste Reduction Center	\$0.10 per ton increase in solid waste fees \$50,000 or
Geography Alliance of Iowa	\$250,000 one-time
Iowa Mathematics & Science Coalition	\$50,000
Iowa Safe Surfacing Initiative	\$500,000


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Approved: 
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